

# APS

# ORIGINAL



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November 19, 2007

Docket Control  
Arizona Corporation Commission  
1200 West Washington St.  
Phoenix, Arizona 85007

RE: Arizona Public Service Company General Rate Case;  
Docket Nos. E-01345A-05-0816, E-01345A-05-826,  
and E-01345A-05-0827

Dear Sir or Madam:

Enclosed, please find a second copy of the Exceptions of Arizona Public Service Company to Staff Recommended Order. These Exceptions are identical to those filed on November 16, 2007, but include the two attachments inadvertently omitted from the earlier filing. We apologize for the inconvenience that this may have caused.

If you have any questions, please contact me at (602) 250-4563.

Barbara Klemstine

Attachments

Cc: Ernest Johnson  
Steve Olea  
Lyn Farmer  
Christopher Kempley  
Janet Wagner  
Terri Ford  
Parties of Record

Arizona Corporation Commission  
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NOV 16 2007

AZ CORP COMM  
Director Utilities

IN THE MATTER OF THE APPLICATION OF  
ARIZONA PUBLIC SERVICE COMPANY –  
REVISED LINE EXTENSION TARIFF  
SCHEDULE 3

DOCKET NOS. E-01345A-05-0816  
E-01345A-05-0826  
E-01345A-05-0827

EXCEPTIONS OF ARIZONA PUBLIC SERVICE COMPANY  
TO STAFF RECOMMENDED ORDER

Arizona Public Service Company ("APS" or "Company") hereby submits to the Arizona Corporation Commission ("Commission") its Exceptions to the Recommended Order attached to the Utilities Division Staff ("Staff") Memorandum dated November 2, 2007. The Recommended Order approves the Company's revised Schedule 3 – "Line Extensions" – with one critical exception. Specifically, the Recommended Order mandates that all proceeds received by APS pursuant to the schedule be accounted for as "contributions-in-aid of construction" ("CIAC") rather than as Miscellaneous Service Revenues. Treatment of these proceeds as CIAC will result in a substantial loss of potential benefits to APS and its customers, while producing no offsetting reductions in the cost to new applicants of receiving service from the Company.

Revised Schedule 3 presents the Commission with a unique regulatory opportunity – the opportunity to significantly and unilaterally reduce future APS rate requests. No need to depend upon lower gas and power prices, lower interest rates, or some other exogenous cost of service factor to have that same result. Rather the Commission can itself accomplish this benefit for APS customers by seizing upon the opportunity presented in the Company's October 24<sup>th</sup> filing and approving APS' requested revenue accounting treatment of Schedule 3 proceeds.

## BACKGROUND

Treating certain Schedule 3 proceeds as revenue has always been a part of APS's line extension policy. Prior to July 1, 2007, the Company's line extension policy provided so-called "free footage" allowances for new residential applicants for service. During that time, proceeds from Schedule 3 took one of three forms, which determined its accounting treatment. Costs in excess of such "free" allowances were advanced by the applicant to APS and refundable, either in whole or in part, under certain circumstances. Non-residential applicants were subject to a more complicated set of rules involving the conduct of an economic feasibility study ("EFS"). Costs in excess of those shown to be justified under the EFS were required to be contributed to APS on what was generally a non-refundable basis. In addition, applicants for new service could be required to pay APS a "facilities fee," again based on the results of an EFS.<sup>1</sup> These three different forms of payment to APS for the extension of new or expanded facilities were accounted for as advances-in-aid of construction ("Advances"), CIAC and revenue, respectively.

As part of its last general rate case filing, APS proposed to convert the "free footage" allowance into a flat \$5,000 "equipment allowance" and clarify certain of the refund provisions of Schedule 3. Decision No. 69663 required APS to file for Commission approval a revised Schedule 3 eliminating all footage and equipment allowances and any requirement for or use of an EFS to determine the charges to new service applicants. *See* Decision No. 69663 at 156. These changes effectively eliminated the previous accounting distinctions made in Schedule 3 between Advances, CIAC and revenue, resulting in a single combined payment from all applicants to APS equal to the cost of extending or expanding electric distribution facilities. Decision No. 69663 did not specify by its terms exactly how APS was to account for such proceeds, but APS firmly believes its proposed accounting treatment (i.e., as revenues) is most consistent with the expressed intent of the Commission that Schedule 3

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<sup>1</sup> There were special provisions for certain types of applicants such as irrigation and "temporary" service customers, but the above description encompassed 99% plus of new service applicants.

1 should be amended to make growth pay a portion of the higher costs that would otherwise be  
2 imposed on APS customers.

3 APS submitted a revised Schedule 3 on July 27, 2007 and provided a further revised  
4 version of Schedule 3 on October 24, 2007. It is this second revision that is before the  
5 Commission and the subject of Staff's Memorandum and Recommended Order.

### 7 **SCHEDULE 3 PROCEEDS SHOULD BE ACCOUNTED FOR AS REVENUE**

8 In its letter to the Commission dated October 24, 2007, which accompanied the revised  
9 Schedule 3 filing now under consideration, APS explained both how and why it proposed that  
10 the Commission effectuate its intent in Decision No. 69663 by authorizing and directing APS  
11 to account for all proceeds received under Schedule 3 as revenues. A copy of that letter is  
12 attached to these Exceptions. Without repeating all the discussion and analysis set forth in the  
13 attached letter, APS would reiterate the following points:

- 14 1. Treating Schedule 3 proceeds as revenue will provide a dollar-for-  
15 dollar reduction of future rate increases to APS customers. Treating  
16 them as CIAC does result in a rate base deduction, *but one that*  
17 *translates into a much smaller (roughly 12 cents) reduction in future*  
18 *revenue requirements for every dollar of Schedule 3 proceeds.* This  
19 is illustrated by the chart provided in the October 24<sup>th</sup> letter:

#### 20 **Comparison of Accounting Treatment for Schedule 3 Proceeds**

##### 21 **Treatment as CIAC:**

22 Schedule 3 Fees Treated as CIAC	\$ 500,000
Less: Income Tax (40%)	200,000
Net Reduction to Rate Base	<u>\$ 300,000</u>
23 Cost of Capital Reduction (including Income Taxes)	\$ (36,210)
24 Depreciation Expense Reduction	(16,667)
Property Tax Expense Reduction	(7,500) <sup>2</sup>
25 Reduction to Revenue Requirement due to CIAC Treatment	<u>\$ (60,377)</u>

##### 26 **Treatment as Revenue:**

26 Schedule 3 Fees Treated as Revenue	\$ 500,000
27 Reduction to Revenue Requirement due to Revenue Credit Treatment	<u>\$ (500,000)</u>

28 <sup>2</sup> This reflects current state tax provisions

- 1        2.     Treating Schedule 3 proceeds as revenues rather than CIAC does  
2             NOT result in any "double-recovery" of costs by APS. APS recovers  
3             its costs just once in either scenario excepting under the CIAC, a far  
4             larger portion of those costs is borne by APS customers in rates  
5             rather than by growth.
- 6        3.     Looking beyond just the next rate proceeding, the decision to treat  
7             Schedule 3 proceeds as revenue continues to benefit customers in  
8             future years in the form of lower rates.
- 9        4.     Treating Schedule 3 proceeds as revenues improves APS's  
10            creditworthiness because it *increases* APS' FFO/Debt ratio. Treating  
11            such proceeds as CIAC weakens APS's creditworthiness because it  
12            *decreases* APS' FFO/Debt ratio. Given the current volatile state of  
13            credit markets, key financial metrics such as FFO/Debt have taken  
14            on even greater importance in determining access to credit upon  
15            reasonable terms.
- 16       5.     The improvement in APS's financial performance from treating  
17            Schedule 3 proceeds as revenue allows the Company to finance,  
18            through debt and equity, additional new infrastructure beyond that  
19            encompassed by Schedule 3. Conversely, CIAC produces no  
20            additional financing capability and may actually erode the  
21            Company's existing capacity to fund new infrastructure.

22        As noted above, Decision No. 69663 did not expressly mention the accounting  
23        treatment of such proceeds. It is not, however, in any way silent concerning the intent of the  
24        ordered changes to Schedule 3:

25            We agree with Staff that the Commission should use the generic  
26        [hook-up fee] docket to gather information useful in evaluating the  
27        feasibility of hook-up fees for electric and gas utilities. In the interim,  
28        however, we find that, in view of the unprecedented growth in APS' service  
      territory, granting APS variances to A.A.C. R14-2-207.C.1 and C.2, which  
      require a company to provide a specified footage of distribution line at no

1 charge, is a necessary and appropriate measure *to shift the burden of rising*  
2 *distribution infrastructure costs away from the current customer base to*  
3 *growth.* [*Id.* at 97. Emphasis supplied.]

4 At the Open Meeting at which Decision No. 69663 was entered, the discussion over the  
5 Chairman Gleason and Commissioner Mayes amendments regarding the intent of proposed  
6 changes to Schedule 3 was similarly unambiguous:

7 Commissioner Mayes: We're looking to go toward a hook-up fee situation,  
8 which we ask growth to pay for itself. [Open Meeting Tr. Vol. III at 577.]

9 Chairman Gleason: In other words, someone has to pay for that, that  
10 footage, and you either pay for it, you know, up front, or its gets put into a  
11 main extension agreement or something like that. [Open Meeting Tr. Vol.  
12 III at 569.]

13 Later, Commissioner Pierce added:

14 Commissioner Pierce: I am not opposed to growth, but I am opposed to  
15 giving growth a free ride on the backs of current ratepayers. Growth should  
16 pay its own way. APS needs to bring this Commission a proposal that  
17 addresses its cash flow concerns in a way that does not result in current  
18 ratepayers subsidizing future ratepayers. [Open Meeting Tr. Vol. V at  
19 1036.]

20 Moreover, even the potential classification of Schedule 3 proceeds as revenue was  
21 discussed on several occasions during the course of the hearing resulting in Decision No.  
22 69663:

23 Commissioner Mayes: And do we know, how much would that save us if  
24 we eliminated that \$5,000 allowance for single-family homes and  
25 residential homebuilder subdivisions? Do we know what that would - -  
26 what kind of *revenue* that would free up or provide? [Hearing Tr. Vol. XX  
27 at 3782. Emphasis supplied.]

28 At a subsequent portion of the hearing, the issue resurfaced again:

Commissioner Mayes: Let's say hypothetically we have determined a way  
of generating *revenues* associated with growth and new housing  
developments *that did not have negative implications for your FFO to debt*  
ratio. And assuming that that *income* was approximately \$84 million per  
year, which is what I think we determined a \$2,000 hook-up fee would  
bring in for the company, that *revenue* would help the company deal with  
some of its construction needs, wouldn't it?

APS witness Don Robinson: Well, if we had \$84 million coming in, that's  
obviously a help. [Hearing Tr. Vol. XXVI at 4895. Emphasis supplied.]

And even prior to the hearing, Commissioner Mundell had placed a letter into the  
docket that admonished the parties:

1 We need to "think outside the box." Given the significant peak load growth  
2 rate that APS is experiencing and the amount of CapEx necessary to meet  
3 that load, I think it is time to explore the option of using hook-up fees so  
4 that existing customers are not continually subject to exorbitant rate  
5 increases. [Commissioner Mundell Letter dated March 28, 2006.]

6 A few months later, Commissioner Hatch-Miller also filed a letter stating, in relevant part:

7 As you know, APS is tasked with funding an enormous CAPEX budget of  
8 \$3.1 billion over the next five years for generation, transmission and  
9 distribution projects. These improvements are presumed necessary to  
10 ensure the adequacy and reliability of electric service in addition to meeting  
11 estimated load growth of 4 percent per year. A portion of your company's  
12 [APS's] CAPEX budget will be funded by the bond market. Your  
13 ratepayers stand to save money in long-term borrowing costs in your credit  
14 ratings hold or improve.

15 Based on the S&P report, please provide testimony on *what measures the*  
16 *Commission could take in helping APS gradually improve its*  
17 *creditworthiness.* [Commissioner Hatch-Miller Letter of July 21, 2006 -  
18 Attachment DEB-11RB to APS Exhibit No. 5. Emphasis supplied.]

19 Although Schedule 3 is not a "hook-up" fee, APS has tried to nevertheless "think outside the  
20 box" on how the Commission might best accomplish the goals of defraying future APS  
21 electric rate increases and also improving the Company's credit worthiness. Treatment of  
22 Schedule 3 proceeds as revenue meets both those criteria and is therefore entirely consistent  
23 with the Commission's objectives as stated throughout the various stages of this proceeding.  
24 And it does so without changing the dollar amount that new service applicants will pay under  
25 Schedule 3 or raising any of the rates already approved by Decision No. 69663.

26 In the Staff Memorandum, Staff states that: "discussion of the accounting treatment of  
27 payments should not be included in the tariff [Schedule 3] because *it goes beyond what is*  
28 *required or authorized by Decision No. 69663.*" Staff Memorandum at 1. (Emphasis  
supplied.) But so does the Staff's proposal for CIAC treatment. The problem with Staff's  
argument is that the precise language of Decision No. 69663 did not "require or authorize"  
*any* specific accounting treatment for the new "single bucket" of Schedule 3 proceeds. Staff's  
proposal, that the Commission now "require and authorize" the payments to be recorded as  
CIAC,<sup>3</sup> therefore suffers the identical alleged "problem" that forms the basis for Staff's sole

<sup>3</sup> Staff uses the specific words "continue to be treated as Contributions in Aid of Construction ("CIAC")." Recommended Order at 2. As discussed above, payments received under the previous version of Schedule 3 were treated as Advances, CIAC and revenue, depending on the terms of the payment and the specific provisions of that Schedule. Thus, the suggestion that there was some form of uniform accounting treatment of Schedule 3 proceeds that is somehow just being "continued" is factually inaccurate.

1 objection to APS's filing. APS fails to understand how its proposal can be deemed as going  
2 beyond the scope of a compliance filing while Staff's competing CIAC proposal does not.

3 In point of fact, BOTH Staff and APS are attempting to clarify the Commission's  
4 intent in Decision No. 69663, given that decision does not explicitly detail the accounting  
5 treatment to be afforded Schedule 3 proceeds. It is up to the Commission to determine which  
6 proposal best does so.

7 Staff's Memorandum does not appear to dispute any of the substantive arguments  
8 presented by APS for revenue treatment of Schedule 3 proceeds. Rather, the Memorandum  
9 simply suggests that this issue be raised in "a separate filing." *Id.* However, this is precisely  
10 what the Company did in its October 24<sup>th</sup> filing of a revised Schedule 3, as ordered by  
11 Decision No. 69663, which Decision was itself made in a general rate proceeding of the type  
12 alluded to in the Staff Memorandum.

13 Again, the Company's suggested accounting treatment of Schedule 3 proceeds will not  
14 affect, in even the slightest manner, the dollar amount that applicants for APS service will  
15 have to pay under Schedule 3. APS's proposed Schedule 3 will not raise a dime more or less  
16 than that Schedule suggested by Staff in the Recommended Order. However, although APS's  
17 accounting treatment of Schedule 3 payments is inconsequential to new service applicants  
18 such as the homebuilders and real estate developers, this accounting for Schedule 3 proceeds  
19 issue is very critical to both APS and its customers for all of the reasons set forth above and in  
20 the Company's letter to the Commission of October 24<sup>th</sup>. Attached to these Exceptions is a  
21 proposed amendment to the Recommended Order that would approve Schedule 3 as filed by  
22 the Company on October 24, 2007 and would direct that APS account for the proceeds as  
23 above-the-line operating revenues.

## 24 25 CONCLUSION

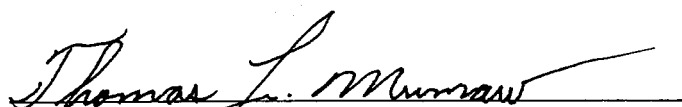
26 It is said that nothing in life is more expensive than a missed opportunity. One way or  
27 the other, a decision will be made by the Commission concerning the accounting for proceeds  
28 under Schedule 3. A decision to treat them as revenues will bring significant advantages to



1 APS and its customers at no additional cost to new service applicants and without raising  
2 existing APS electric rates so much as a penny. A decision to treat them as CIAC will forego  
3 those advantages, with no offsetting benefit to anyone. In such a case, the "missed  
4 opportunity" presented by the Company's October 24<sup>th</sup> filing will indeed prove quite  
5 expensive.

6 RESPECTFULLY SUBMITTED this 16th day of November, 2007.

7  
8 PINNACLE WEST CAPITAL CORPORATION

9  
10 

11 Thomas L. Mumaw

12 Meghan H. Grabel

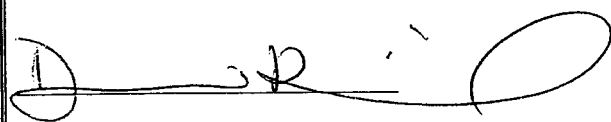
13 Attorneys for Arizona Public Service Company

14 Original and 13 copies of the foregoing were  
15 filed this 16th day of November, 2007 with:

16 Docket Control  
17 Arizona Corporation Commission  
18 1200 West Washington  
19 Phoenix, Arizona 85007

20 And copies of the foregoing mailed, faxed or  
21 transmitted electronically this 16th day of  
22 November, 2007 to:

23 All Parties of Record

24 

Attachment 1

Arizona Public Service Company's letter dated October 24, 2007 to the Commission



Barbara Klemstine  
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October 24, 2007

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Docket Control  
Arizona Corporation Commission  
1200 West Washington St.  
Phoenix, Arizona 85007

AZ CORP COMM  
Director Utilities

RE: Arizona Public Service Company General Rate Case;  
Docket Nos. E-01345A-05-0816, E-01345A-05-0826,  
and E-01345A-05-0827

Dear Sir or Madam:

Enclosed, please find revisions to Arizona Public Service Company's ("APS" or "Company") Schedule 3 (Conditions Governing Extensions of Electric Distribution Lines and Services) that replace the version of Schedule 3 that the Company filed with the Arizona Corporation Commission ("Commission") on July 27, 2007 in compliance with the directives of Decision No. 69663 (June 28, 2007). See attachments 1 and 2 for redline and non-redline versions of Schedule 3 as amended. APS requests that this revised Schedule 3 become effective upon Commission approval. APS therefore waives the provisions of A.R.S. §§ 40-250 (B) and 40-367.

APS has removed and/or modified all language in Schedule 3 that grants either an equipment or "footage" allowance to applicants for new or expanded electric service. Similarly, APS has eliminated the use of economic feasibility studies to determine whether or how much of such an allowance should be granted. Finally, provisions for potential refunds of all or a portion of amounts charged to applicants were deleted. Attachment 3 is a summary of each of the specific revisions to Schedule 3. As amended, Schedule 3 would charge every new applicant for service and each existing customer that applies to upgrade his or her service, an amount equal to the estimated cost of extending or expanding the Company's distribution infrastructure in order to provide service to the applicant.

In order to better facilitate the Commission's stated purpose of revising Schedule 3 "to shift the burden of rising distribution infrastructure costs away from the current customer base to growth" (see Decision No. 69663 at 97), APS proposes to mitigate future rate increases by treating the payments received under Schedule 3 as Miscellaneous Service Revenues and recording them in Account No. 451 of the Uniform System of Accounts. Although Decision No. 69663 does not specifically discuss the accounting treatment of any proceeds received under the provisions of Schedule 3, APS believes such revenue treatment is the most appropriate way to address the

Decision's expressed concerns over how to pay for the higher costs of growth without solely relying on higher retail electric rates.

Fees similar to those that APS collects under Schedule 3 have frequently (although not universally) been recorded by regulated Arizona water and sewer utilities as contributions in aid of construction ("CIAC"). This produces no additional revenue to the utility, but rather an additional liability. As explained in depth at the hearing, for electric utilities such as APS, CIAC is taxable as income for federal and state purposes. This is unlike water and sewer utilities, which were exempted from the tax in 1992, and municipal/cooperative utilities that are generally exempt from all income taxes. The amount of that tax, roughly 40%, reduces both the cash available to finance new infrastructure and the rate base offset normally associated with CIAC. This significantly reduces the already limited positive impact of CIAC on future utility rates. The evidence in the record also showed that, because there is no offsetting revenue, funds from operations ("FFO") are reduced by the amount of such taxes. And although debt is also reduced to a degree, the small positive impact on debt is overtaken by the negative impact on FFO – thus the overall FFO/Debt ratio is weakened by treating Schedule 3 proceeds as CIAC

In contrast, recording Schedule 3 proceeds as revenues rather than CIAC addresses several of these issues, all of which were identified during the course of the hearing leading to Decision No. 69663. If Schedule 3 proceeds are treated as a new revenue source, the benefits on APS and its customers are improved. The FFO/Debt ratio improves because the new revenues more than compensate for the increase in taxes, resulting in a net *increase* to the Company's FFO (compared to the *decrease* caused by treating the proceeds as a CIAC). And while the amount of actual cash available to the Company for funding new construction is the same whether Schedule 3 proceeds are treated as CIAC or revenue, treating them as revenue enhances the Company's ability to finance its remaining construction requirements at a reasonable cost because of the FFO/Debt improvement. Perhaps an example can best illustrate this positive impact. For every dollar of new earnings received as a result of treating Schedule 3 proceeds as revenue, APS' FFO/Debt ratio improves enough to support more than \$4 of additional capital expenditures. CIAC, on the other hand, not only does not create any additional capital funding capacity, it could actually shrink the Company's existing capacity because of the decline in the FFO/Debt ratio, thus potentially making it more difficult to fund new construction.

Additionally, the treatment of Schedule 3 proceeds as revenue rather than CIAC allows the Company and its customers to see a comparably striking reduction in revenue requirements. Specifically, the new revenue will offset – *dollar for dollar* – future revenue requirements. As depicted in the chart below, which assumes a hypothetical \$1 million in Schedule 3 proceeds, this revenue credit is a far greater benefit to APS customers than a simple rate base deduction equal to the after-tax proceeds from CIAC, which lowers future revenue requirements by only about 12 cents for every dollar collected. Thus, even allowing for the fact that the Company's rate base will be higher under the revenue accounting treatment, such treatment provides a considerable advantage to APS customers.

### Comparison of Accounting Treatment for Schedule 3 Proceeds

**Treatment as CIAC:**

Schedule 3 Fees Treated as CIAC	\$ 1,000,000
Less: Income Tax (40%)	400,000
Net Reduction to Rate Base	<u>\$ 600,000</u>

Cost of Capital Reduction (including Income Taxes)	\$ (72,420)
Depreciation Expense Reduction	(33,334)
Property Tax Expense Reduction	(15,000) <sup>1</sup>
<b>Reduction to Revenue Requirement due to CIAC Treatment</b>	<b><u>\$ (120,754)</u></b>

**Treatment as Revenue:**

Schedule 3 Fees Treated as Revenue	\$ 1,000,000
<b>Reduction to Revenue Requirement due to Revenue Credit Treatment</b>	<b><u>\$ (1,000,000)</u></b>

<b>NET BENEFIT PER \$1 MILLION COMPARED TO CIAC</b>	<b><u>\$879,246</u></b>
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This chart reflects the customer benefit per \$1 million of Schedule 3 proceeds (under the Company's proposal) in the next APS rate filing. APS also examined the impact of treating Schedule 3 proceeds as revenues in the longer term. For each year during the five year period reviewed, the revenue credit proposal reduced revenue requirements by more than the CIAC treatment, resulting in a cumulative additional benefit as compared to CIAC of between \$3.2 and \$4.4 million per \$1 million in Schedule 3 proceeds, depending on the assumed frequency of future rate cases and using the same assumptions as in the chart above.

There should be a transition period affecting the applicability of this Schedule 3. Applicants having executed line extension agreements prior to the effective date of this Schedule 3 would be served pursuant to the terms of such agreements. In determining whether any additional future applicants should be "grandfathered," the Commission should consider that the length of the transition period, combined with the current state of the housing and construction markets, will greatly affect the proceeds APS will actually receive under Schedule 3. If the Commission finds that the transition period should be extended, one option is provided below

APS would "grandfather" all applicants that have executed line extension agreements as of the date this revised Schedule 3 is approved. Other applicants could be "grandfathered" if they meet both of the following conditions: (1) such applicant has received from APS, within six months prior to approval of the revised Schedule 3, a written estimate of the costs to the applicant for extending service; and (2) that same applicant executes a written line extension agreement within 12 months of the effective date of revised Schedule 3. A variant on this option would have the 12 months run from the date the written estimate is received by the applicant, which would give each potential applicant the same amount of time after having received an estimate from APS to execute a line extension agreement.

<sup>1</sup> This reflects current state tax provisions

As proposed herein, Schedule 3 will recover and treat as revenue the amount of money that Schedule 3 applicants would have paid under Schedule 3 absent the free footage/equipment allowance/economic feasibility and refund provisions. While this added revenue will offset a portion of the Company's rising costs of growth, it will not recover all such costs. To pay for those costs at a higher level, a "hook-up fee," as is currently being considered by the Commission in Docket No.E-00000K-07-0052, could be used in conjunction with this revised Schedule 3 to recover all or a portion of the higher costs attributable to replacing existing distribution facilities or additional growth-related generation facilities. Also, a "hook-up fee" could be designed to recover a portion of new general plant, some of which costs (e.g., new service centers) are clearly growth-related.

If you have any questions, please contact me at (602) 250-4563.



Barbara Klemstine

Attachments

Cc: Ernest Johnson  
Steve Olea  
Lyn Farmer  
Christopher Kempley  
Janet Wagner  
Terri Ford  
Parties of Record

Attachment 2

Arizona Public Service Company's proposed amendment to the Recommended Order

## **APS PROPOSED AMENDMENT**

Page 2 Line 12:

DELETE: "continue to"

Page 2 Line 16:

INSERT NEW FINDING OF FACT NO. 8: "We disagree with Staff and note that treating the payments received from Schedule 3 as revenue rather than CIAC will best serve the Commission's intent in Decision No. 69663 'to shift the burden of rising distribution infrastructure costs away from the current customer base to growth.' Thus, we will specifically direct APS to record such payments as Miscellaneous Service Revenues."

Page 3 Lines 12-13:

DELETE: "amended to include Staff's recommendation in Findings of Fact No. 6,"

Page 3 Line 19:

DELETE: "modifications recommended in Finding of Fact No. 6"

REPLACE WITH: "accounting treatment directed in Finding of Fact No. 8"

MAKE ALL CONFORMING CHANGES.